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Paraguay

Oilseeds and Products

Annual

2007

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Report Highlights:
Paraguayan soybean production is forecast at 6 million metric tons (MMT) on 2.4 million hectares (MHAS) for Marketing Year (MY) 2008/09. The current harvest is also estimated at 6 MMT on 2.4 MHAS. Exports are forecast at 4.4 MMT. Additionally, domestic consumption for MY2008/09 is forecast to increase to 1.64 MMT.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
Buenos Aires [AR1]
[PA]

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Executive Summary

After three years of less than optimal weather conditions which led to reduced yields and historically low production levels, this year has shown significant improvement. Producers are re-energized by the excellent harvest, and analysts and industry contacts comment that planted area is likely to increase in Market Year (MY) 2008/09.

Optimal weather conditions throughout the major part of the production area led to record yields. However, in some of the southern production areas, instances of fungus (Macrophomina phaseolina), after a dry period in March, led to reduced yields.

Initially, this year's record production made many fear bottlenecks in the export and processing sectors due to insufficient storage and transportation infrastructure. However, the increased use of silo bags is starting to take the pressure off of the storage facilities. Installed storage capacity is approximately 5.5 MMT of the harvest.

There is the possibility of a shortage of trucks to transport the 6 million metric ton (MMT) harvest to export and processing destinations. The agricultural sector is trying to gain approval from the Government of Paraguay (GOP) for the use of high-capacity, Brazilian origin trucks, or 'bitrenes'. These trucks have a 37-ton cargo capacity, compared with trucks currently used to transport grains in Paraguay with a 27-ton capacity. Over the past few years, Paraguay has reduced the use of overland transport to Brazil's Paranagua port, due to restriction prohibiting the transit of genetically modified soybeans (GMOs) across Parana State. This restriction has led to an oversupply of 'bitrenes' in Parana State that are available to transport grains on specific routes within Paraguay, at competitive prices. Currently, no decision has been made by the GOP to accept these trucks into Paraguay.

Complicating the above is the fact that the corn harvest will begin in late June through August. The current harvest is estimated at 2MMT, about 50 percent of which will be exported, via truck, to Brazil.

Increases in investment in barges and tugboats that occurred over the past year are likely to continue into the next. Since a change in the Argentine temporary import regulations lowered the total tax paid on exports of soybean oils and meals processed from imported soybeans, demand from 'down-river' destinations, such as Argentina and Uruguay, is likely to remain on the upswing.

Production

Soybean

With the excellent results from the current crop, producers are re-energized and eager to increase planted area next year. While producers hope for a repeat bumper crop next year, the deciding factor for production next year will be the weather. Apart from localized dryness, weather conditions for the current crop have been optimal, and may be difficult to repeat. Post forecasts soybean harvested area in Marketing Year (MY) 2008/2009 will be 2.4 million hectares (has). Forecasting yields above the 5- year average, due to uncharacteristically low yields the past three seasons due to drought, production is forecast at 6 MMT.

Production during MY 2007/2008 is surpassing expectations and is estimated over 6 MMT. Industry contacts report that 60 percent of the harvest is excellent, with yields between 3 – 4 MT/HAS. The other 40 percent of the harvest is classified as fair to good, with yields much lower around 1 – 2 MT/HAS.

As a result of dryness in March, end of cycle diseases, such as *macrophomina phaseolina*, affected soybeans in the southern production area. Soybean rust, while still present, affected production to a lesser extent.

Post estimates MY2007/08 production at 6 MMT on 2.4 MHAS.

Post estimates MY2006/07 production at 3.64 MMT on 2 MHAS, based on industry reports.

Consumption

Soybean Crush

During 2006, the Paraguayan crushing industry accounted for 32.4 percent of domestic soybean consumption. Unchanged from last year, installed crushing capacity in Paraguay is currently 4,850 MT/day.

Total installed capacity is approximately 1.46 MMT. Post forecasts MY08/09 soybean crush at 1.45 MMT, above historical levels due to good international prices and a ready supply of raw materials. Accordingly, soy meal and oil production will be 1.1 MMT and 260,000 MT, respectively.

In MY2007/08, the total crush is estimated at 1.45 MMT, due to the excellent supply of soybeans available to crushers. This translates into soy meal and oil production of 1.1 MMT and 260,000 MT, respectively.

Based on information obtained from the Paraguayan Chamber of Grain and Oilseed Exporters (CAPECO), FAS Buenos Aires revises its MY06/07 crush estimate to 1.18 million MT. Soy meal and oil production is also revised to 925,000 and 215,000 MT, respectively.

Soybean Feed, Seed, and Waste

Industry estimates seed use is between 70 - 80 kilograms/ha. Post forecasts MY08/09 soybean feed, seed, and waste at 190,000 MT. Feed, seed, and waste for MY07/08 and MY06/07 are adjusted accordingly, calculating 70 kilograms/ha plus additional for waste.

Most industry sources concur that 8 – 10 percent of soy meal is consumed domestically, mainly as animal feed. Post forecasts MY08/09 soybean meal feed, seed, and waste consumption at 100,000 MT.

Soybean oil is mixed with other types of oils to produce cooking oils and margarines for the domestic market. Posts forecasts MY08/09 soybean oil food use consumption at 20,000 MT. Accordingly, Post estimates MY07/08 soybean oil food use to be 20,000 MT and soybean oil food use for MY06/07 is revised to 19,000 MT.

Trade

Soybeans

Post forecasts MY08/09 unprocessed soybean exports up from previous years to 4.4 MMT. This increase is attributed to increased exportable supply as a result of increased production. The main market for Paraguay’s soybeans will continue to be Argentina. As crushing capacity in Argentina increases in excess to domestic soybean production, it is expected that crushers will increase imports from ‘up-river’ suppliers, such as Bolivia, Brazil, and Paraguay.

Additionally, a change in the Argentine temporary import regime in early 2007, makes export taxes on meals and oils processed from imported beans almost identical to products made from Argentine beans. While all meal and oil exports, whether from imported or domestic soybeans, pay the same percentage of tax, a change was made in the manner the tax is calculated for imported beans.

For the same reasons listed above, Post estimates MY07/08 exports up, significantly from the previous year to 4.3 MMT due to increased exportable supply.

Soybean exports from March 1, 2006 – February 28, 2007 totaled 2.108 MMT, according to CAPECO. Over 90 percent of exports (1.97 MMT) were via barge down the Rio de la Plata into Argentina and Uruguay. The rest of exports were by land through Brazil (21,056 MT) or train to Brazil (118,631 MT). Post revises its MY2006/07 estimate to reflect this information, plus an additional amount for exports that took place in February 2007, but have not yet been published.

Soybean Products

As stated above, only about 8 – 10 percent of soybean meal is consumed domestically. The remaining 90 percent is produced for the export market. FAS Buenos Aires forecasts MY08/09 soybean meal and oil will follow the pattern of the past two years with regard to destinations and trade share.

Post forecasts MY08/09 soybean meal exports at 990,000 MT. Major destinations will be Uruguay, Brazil, and Peru. Soybean oil exports during MY08/09 are forecast at 228,000 MT.

Export estimates for MY07/08 are revised to 990,000 MT for soybean meal. Soybean oil export estimate for MY07/08 is 240,000 MT.

Data from CAPECO show soybean meal exports from March 1, 2006 through January 26, 2007 were 835,000 MT (includes meals and flakes). Of this quantity, over 72 percent (606,543 MT) was shipped through the Rio de la Plata towards Uruguay and Argentina. The additional quantity was sent to the internal Brazilian market (228,852 MT). Post revises MY2006/07 exports to reflect this data.

Soybean oil export data from CAPECO shows that from March 1, 2006 through January 26, 2007, 171,200 MT of soybean oil was shipped out of Paraguay. The total was shipped through the Rio de la Plata. Post revises MY2006/07 exports to reflect this data.

PSD Table

Country **Paraguay**

Commodity **Oilseed, Soybean**

(1000 HA)(1000 MT)

	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		03/2006	03/2006		03/2007	03/2007		03/2008	03/2008	MM/YYYY
Area Planted	2000	2000	2000	2100	2000	2400	0	0	2400	(1000 HA)
Area Harvested	2000	2000	2000	2100	2000	2400	0	0	2400	(1000 HA)
Beginning Stocks	88	72	95	208	65	30	813	150	105	(1000 MT)
Production	4000	4040	3640	5500	4600	6000	0	0	6000	(1000 MT)
MY Imports	10	15	10	15	0	15	0	0	15	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
MY Imp. from EU	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	4098	4127	3745	5723	4665	6045	813	150	6120	(1000 MT)
MY Exports	2400	2800	2380	3300	3100	4300	0	0	4400	(1000 MT)
MY Exp. to EU	750	0	750	1000	0	1000	0	0	0	(1000 MT)
Crush	1150	1077	1180	1250	1200	1450	0	0	1450	(1000 MT)
Food Use Dom. Cons.	0	0	0	0	0	0	0	0	0	(1000 MT)
Feed Waste Dom. Cons.	340	185	155	360	215	190	0	0	190	(1000 MT)
Total Dom. Cons.	1490	1262	1335	1610	1415	1640	0	0	1640	(1000 MT)
Ending Stocks	208	65	30	813	150	105	0	0	80	(1000 MT)
Total Distribution	4098	4127	3745	5723	4665	6045	0	0	6120	(1000 MT)
CY Imports	10	0	10	15	0	15	0	0	0	(1000 MT)
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
CY Exports	2263	0	2263	3300	0	3300	0	0	0	(1000 MT)
CY Exp. to U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)

PSD Table

Country **Paraguay**

Commodity **Meal, Soybean**

(1000 MT)(PERCENT)

	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		03/2006	03/2006		03/2007	03/2007		03/2008	03/2008	MM/YYYY
Crush	1150	1077	1180	1250	1200	1450	0	0	1450	(1000 MT)
Extr. Rate, 999.9999	0.782609	0.789229	0.783898	0.7856	0.724167	0.758621	0	0	0.758621	(PERCENT
Beginning Stocks	52	75	52	27	65	52	34	74	63	(1000 MT)
Production	900	850	925	982	869	1100	0	0	1100	(1000 MT)
MY Imports	1	0	1	1	0	1	0	0	0	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
MY Imp. from EU	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	953	925	978	1010	934	1153	34	74	1163	(1000 MT)
MY Exports	836	775	836	865	775	990	0	0	990	(1000 MT)
MY Exp. to EU	0	0	0	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Cons.	0	0	0	0	0	0	0	0	0	(1000 MT)
Food Use Dom. Cons.	0	0	0	0	0	0	0	0	0	(1000 MT)
Feed Waste Dom. Cons.	90	85	90	111	85	100	0	0	100	(1000 MT)
Total Dom. Cons.	90	85	90	111	85	100	0	0	100	(1000 MT)
Ending Stocks	27	65	52	34	74	63	0	0	73	(1000 MT)
Total Distribution	953	925	978	1010	934	1153	0	0	1163	(1000 MT)
CY Imports	1	0	1	1	0	1	0	0	0	(1000 MT)
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
CY Exports	817	0	817	825	0	825	0	0	0	(1000 MT)
CY Exp. to U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
SME	90	85	90	111	85	100	0	0	100	(1000 MT)

PSD Table

Country **Paraguay**

Commodity **Oil, Soybean**

	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	(1000 MT)(PERCENT)
Market Year Begin		03/2006	03/2006		03/2007	03/2007		03/2008	03/2008	MM/YYYY
Crush	1150	1077	1180	1250	1200	1450	0	0	1450	(1000 MT)
Extr. Rate, 999.9999	0.18	0.179201	0.182203	0.18	0.179167	0.17931	0	0	0.17931	(PERCENT
Beginning Stocks	0	82	7	54	15	0	43	45	4	(1000 MT)
Production	207	193	215	225	215	260	0	0	260	(1000 MT)
MY Imports	4	0	4	4	0	4	0	0	4	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
MY Imp. from EU	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	211	275	226	283	230	264	43	45	268	(1000 MT)
MY Exports	112	205	207	190	130	240	0	0	228	(1000 MT)
MY Exp. to EU	0	0	0	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Cons.	0	0	0	0	0	0	0	0	0	(1000 MT)
Food Use Dom. Cons.	45	55	19	50	55	20	0	0	20	(1000 MT)
Feed Waste Dom. Cons.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Dom. Cons.	45	55	19	50	55	20	0	0	20	(1000 MT)
Ending Stocks	54	15	0	43	45	4	0	0	20	(1000 MT)
Total Distribution	211	275	226	283	230	264	0	0	268	(1000 MT)
CY Imports	4	0	4	4	0	4	0	0	0	(1000 MT)
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
CY Exports	198	0	198	175	0	175	0	0	0	(1000 MT)
CY Exp. to U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)